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**FISCAL IMPACT STATEMENT**

**LS 6711**

**BILL NUMBER:** SB 193

**NOTE PREPARED:** Dec 28, 2008

**BILL AMENDED:**

**SUBJECT:** Medicaid Managed Care Prescription Drug Program.

**FIRST AUTHOR:** Sen. Miller

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
X FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill requires a managed care provider's contract or agreement under the Medicaid program to include a prescription drug program.

**Effective Date:** July 1, 2009.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** This bill would eliminate the possibility of removing pharmacy expenditures from the managed care organizations' (MCO) contracts and the resulting opportunity to maximize the amount of drug rebates that could be claimed by the Medicaid program. An initial estimate of the dollar amount of the rebates that might otherwise be available indicates a potential annual state-only savings of \$22 M.

**Background:** Within the Medicaid program, pharmacy products are purchased in two ways. In Hoosier Healthwise, the capitated managed care program for pregnant women and children, and the capitated Healthy Indiana Plan, pharmacy products are included in the capitation rate paid to the MCOs. All other Medicaid pharmacy purchases are purchased on a fee-for-service basis and processed by a contracted pharmacy benefits manager (PBM).

The rebate availability for Medicaid direct purchases means that prescription drugs cost the program more within the capitated HIP and Hoosier Healthwise programs. The Family and Social Services Administration (FSSA) has proposed removing the cost of prescription drugs from the capitated rates paid to the MCOs in

order to take advantage of the rebates. The current Medicaid PBM would be used to process all drug purchasing.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** FSSA, Office of Medicaid Policy and Planning.

**Local Agencies Affected:**

**Information Sources:** FSSA, Health Finance Commission meeting minutes and attachments, October 22, 2008.

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